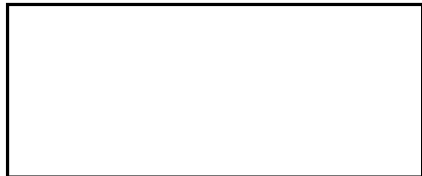
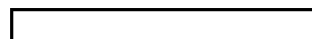


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25 August 1962



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25 August 1962

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CONTENTS

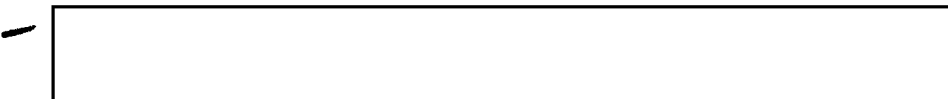
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- 2. Communist China: Peiping demonstrating official concern over US naval patrols in vicinity of Tsingtao naval base. (*Page i*)

3. Ecuador: Arosemena Cabinet resigns. (*Page ii*)

25X1



- 5. Congo: Portuguese military aid to Katanga may be increased as result of recent talks in Luanda. (*Page iii*)

25X1



- 8. West Germany: Cuts in 1963 defense budget being planned. (*Page v*)

25X1

CENTRAL INTELLIGENCE BULLETIN

25 August 1962

DAILY BRIEF

25X1

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Communist China: [Peiping is demonstrating official concern over the continuation of US naval patrols in the vicinity of the North China naval base of Tsingtao.]

[During the 23 August Sino-American ambassadorial meeting in Warsaw, the Chinese representative charged that the US had conducted four patrols in the area since mid-April. He declared that the situation "had gone too far to be tolerated," and said that the US would be held responsible for the consequences.]

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*Ecuador: President Arosemena's moderately left-of-center cabinet, which has recently been under increasing pressure from both the right and the left, resigned yesterday to give the President full power to reorganize the government. For the past two months, the Communists and other left-ist extremists, who had supported Arosemena until he gave in to army pressure and broke relations with Cuba in April, have been taking advantage of the legitimate grievances of workers to create widespread disturbances and riots. These tactics, designed to show that the Arosemena government was incapable of maintaining public order, were employed successfully to discredit former president Velasco Ibarra whom Arosemena overthrew last November.

Since its present session began on 10 August, the predominantly conservative Congress has been highly critical of Arosemena and reportedly has threatened to impeach him. Rightists are opposed to his reform programs, which they claim are left-ist inspired. Furthermore, the rightist followers of Velasco consider that Arosemena betrayed their leader and seek revenge.

The political leanings of the new cabinet ministers, whose appointment reportedly will be made sometime today, will show Arosemena's future plans. He may placate the right in an effort to stay in office now or fight for his reform programs hoping thereby to gain sufficient popular support to be elected president in 1968.

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25 Aug 62

DAILY BRIEF

ii

25X1

25X1

[REDACTED]

Congo: Portuguese military aid to Katanga may be increased as a result of talks held in Luanda in early August.

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[REDACTED] Portuguese officials have reportedly agreed to train Katangan paracommandos inside Angola and to provide "large quantities" of materiel, including unidentified heavy weapons, first deliveries of which are expected to reach Katanga soon. [REDACTED] single-engine Bolkow light aircraft from West Germany-- [REDACTED] have already arrived in Katanga via Angola.

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[REDACTED] the main Portuguese motive is to ensure that the bulk of Katanga's general trade and mineral exports continue to be shipped via Angolan railways. Lisbon also may hope to retaliate against the Leopoldville government for its support of the Angolan rebels.

25X1

25 Aug 62

DAILY BRIEF

iii

25X1

25X1

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West Germany: Cuts are being planned in the 1963 West German defense budget that will bring it below the amount required to sustain the planned pace of buildup. This is the first such cut since West German rearmament began in 1954.

The US ambassador fears that these cuts, which are intended to relieve the tight budgetary situation caused by wage increases in government-owned industries, will set a precedent for sharper downward revisions in future defense planning. Finance Minister Starke has already rejected as inadequate a slight cut proffered by the Defense Ministry from the \$4.55 billion originally requested.

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25 Aug 62

DAILY BRIEF

v

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Executive Offices of the White House
 Special Counsel to the President
 Military Representative of the President
 The Special Assistant for National Security Affairs
 The Scientific Adviser to the President
 The Director of the Budget
 The Director, Office of Emergency Planning
 The Director, National Aeronautics and Space Administration
The Department of State
 The Secretary of State
 The Under Secretary of State
 The Under Secretary of State for Political Affairs
 The Deputy Under Secretary of State for Political Affairs
 The Counselor and Chairman of the Policy Planning Council
 The Director of Intelligence and Research
The Treasury Department
 The Secretary of the Treasury
 The Under Secretary of the Treasury
The Department of Defense
 The Secretary of Defense
 The Deputy Secretary of Defense
 The Secretary of the Army
 The Secretary of the Navy
 The Secretary of the Air Force
 The Assistant Secretary of Defense (International Security Affairs)
 The Assistant Secretary of Defense
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 Chief of Naval Operations, United States Navy
 Chief of Staff, United States Air Force
 Chief of Staff, United States Army
 Commandant, United States Marine Corps
 U.S. Rep., Military Committee and Standing Group, NATO
 Supreme Allied Commander, Europe
 Commander in Chief, Pacific
 The Director, Defense Intelligence Agency
 The Director, The Joint Staff
 The Director for Intelligence, The Joint Staff
 The Assistant Chief of Staff for Intelligence, Department of Army
 The Director of Naval Intelligence, Department of Navy
 The Assistant Chief of Staff, Intelligence, Department of the Air Force
The Department of Justice
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